



SENATE FISCAL OFFICE
ISSUE BRIEF

**FY2016 Budget as Passed by the House
(2015-H-5900 Substitute A as amended)**

JUNE 17, 2015

The following report provides a summary of the floor amendments to 2015-H-5900 Substitute A, as passed by the House of Representatives. The table below summarizes the FY2016 appropriations as included in the amended legislation.

	FY2016 Governor	FY2016 House Finance	FY2016 Budget	Change to Governor	Change to House Finance
General Revenue	\$3,491.6	\$3,552.9	\$3,552.0	\$60.4	(\$0.9)
Federal Funds	3,003.1	2,946.2	2,947.3	(55.8)	1.1
Restricted Receipts	239.4	245.5	245.5	6.1	0.0
Other Funds	1,893.5	1,920.7	1,920.7	27.2	0.0
Total	\$8,627.6	\$8,665.3	\$8,665.4	\$37.9	\$0.2

\$ in millions.

ARTICLE 1: RELATING TO MAKING APPROPRIATIONS IN SUPPORT OF FY2016

The Budget includes a number of changes to the FY2016 appropriation to a number of departments, including:

Administration

- **RI Commerce Corporation:** Decreases general revenue by \$1.3 million reflecting a decrease of \$1.0 million for the Rebuild Rhode Island Tax Credit program, leaving \$1.0 million to initially fund the program in FY2016. In addition, the decrease of \$325,291 reflects the transfer of the RI Film and Television Office from the Executive Office of Commerce to the Rhode Island Council on the Arts. This action also shifts 2.6 FTE positions to the Rhode Island Council on the Arts.

Human Services

- **Office of Health and Human Services: Hospital Definition.** Adds \$715,392 in general revenue (\$1.8 million all funds) to the Medicaid program to support higher rates now able to be negotiated by Landmark/Prime due to the change in hospital definition included in the floor amendment to Article 5.
- **BHDDH:** Adds \$25,000 in general revenue for a community service grant to AccessPoint RI, a non-profit organization serving those with developmental disabilities.

Education

- **Elementary and Secondary Education – Education Aid:** Reduces education aid by \$701,210 to reflect savings because the proposed Early Engineering Charter School did not obtain the final approval from the Board of Education in order to open in FY2016, and other data corrections.

- **Rhode Island State Council on the Arts.** Adds \$325,291 in general revenue consistent with the transfer of the RI Film and Television Office from Commerce to RISCA. Adds \$30,000 in general revenue for a community service grant to the Stadium Theater, Woonsocket.

FY2016 FTE CHANGES TO THE GOVERNOR

- There are no net FTE changes to the House Finance Committee recommendation; however, the Budget reflects the transfer of 2.6 FTE positions from the RI Film and Television Office in the Executive Office of Commerce to the Rhode Island Council on the Arts.

ARTICLE 2: RELATING TO DEBT MANAGEMENT (LC002175/2)

- Technical amendment to properly spell out the dollar amount to match the correct numeral amount included in this bill.

ARTICLE 5: THE REINVENTING MEDICAID ACT OF 2015 (LC002178/5)

- **Hospital Definition, Sections 2, 10, and 14.** While retaining the facility-based definition, it inserts language that allows Landmark to renegotiate its rates with Neighborhood Health Plan (NHP). It limits renegotiation to Landmark (distressed hospital relicensed after January 1, 2013) and does not permit a retroactivity of newly negotiated rates.
- **Office of Program Integrity.** Moves language regarding Prohibited Acts related to program integrity from Section 13 to Section 12.
- **Long Term Managed Care Beneficiary Choice, Section 18.** Removes striking of beneficiary's right to opt-out of long term managed care arrangements, thus retaining the rights of beneficiaries to remain in fee-for-service and removing requirement for enrollment in managed care.

Analyst's Note: The article still contains resolution (f) Integrated Care Initiative – Enrollment in Section 22, whereby OHHS proposes to establish mandatory enrollment for all Medicaid beneficiaries.

- **Community-Based Supportive Living Program.** The floor amendment moves this language from Section 18 to Section 19. The language is part of the long term supports and services reform and creates a new type of community-based adult supportive care. This becomes its own section and all sections afterwards are renumbered.
- **Long Term Managed Care Rate Floor, Section 18.** Floor for long term managed care rates remains but amendment adds "The managed care organization shall not, however, be required to use the same payment methodology." NHP supports this language.
- **Children's Cabinet, Section 20.** New language regarding data collection and confidentiality in Section 20.
- **Technical Correction** to resolution numbering in Section 21.

ARTICLE 9: RELATING TO SCHOOL BUILDING AUTHORITY CAPITAL FUND (LC002182/3)

Makes various changes to the article, including technical corrections and the following:

- Amends the language pertaining to the Board of Directors for RIHEBC to keep the number of Directors at five, instead of increasing to seven.
- Deletes the language that would have sunset the compensation of board members on July 1, 2015. One board member still submits claims for compensation.

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ARTICLE 11: RELATING TO REVENUE (LC002184/15)

- For the purpose of distribution of hotel tax revenue, the portion of hotel tax collected from residential units offered for tourist or transient use through a hosting platform (e.g. Airbnb), are excluded from the hotel tax allocations. Instead, the proceeds of tax collected from this category are distributed as follows: 25.0 percent will be given to the city or town where the residential unit which generated the tax is physically located and 75.0 percent will be given to the Commerce Corporation.
- Several technical amendments are made to the hotel tax distributions: shares to Providence-Warwick Convention and Visitor's Bureau are modified, reducing the state hotel tax share for lodging rentals located outside of Providence and Warwick from 7.0 percent to 5.0 percent. The difference (2.0 percent) is reallocated to Commerce Corporation to support statewide marketing.
- Modifies the effective date of changes to taxable social security income to "tax years beginning on or after January 1, 2016."
- Effective dates are updated. While the provisions of the article take effect July 1, 2015, the amendment notes that cigarette excise and tobacco floor stock tax changes take effect August 1, 2015, and the minimum corporate tax change takes effect January 1, 2016.
- Includes other technical corrections to the article that do not alter its intent.

ARTICLE 13: RELATING TO RESTRICTED RECEIPT ACCOUNTS (LC 002186/2)

- Adds the Jobs Tax Credit Redemption Fund to the list of restricted receipt accounts and funds exempt from the 10.0 percent indirect cost recovery provisions under RIGL 35-4-27. This account will be budgeted within the Department of Revenue. The Jobs Tax Credit Redemption Fund will receive funds via companies participating in the tax credit program created by the Rhode Island New Qualified Jobs Incentive Act. The Division of Taxation is required to "segregate" the withholding taxes collected from the earnings paid for the new full-time jobs and deposit these taxes into a restricted receipt account to be called The Jobs Tax Credit Redemption Fund. Monies deposited into this account will be used to pay for the redemption of tax credits awarded to businesses by the Rhode Island Commerce Corporation. This action will forgo revenue to the general fund but the amount is indeterminable at this time.

Analyst Note: The Budget as passed by the House floor recognizes a \$1.0 million revenue reduction in FY2016 from the Rhode Island New Qualified Jobs Incentive Act. The budget as passed by the House Finance Committee did not adjust for this impact.

ARTICLE 14: RELATING TO INFRASTRUCTURE BANK (LC002187/4)

- Extends the triennial reporting requirements concerning system reliability, and energy efficiency and conservation procurement until 2024, instead of 2030. These reports are submitted to the Public Utility Commission by the Commissioner of the Office of Energy Resources and the Energy Efficiency and Resources Management Council, either jointly or separately, and each natural gas and electrical distribution company.
- Continues the demand side management programs charge for electric companies for 15 years, instead of 21, and for the gas distribution companies for 16 years, instead of 22.
- Amends article to delay changing the name of the Rhode Island Clean Water Agency (RICWFA) to the Rhode Island Infrastructure Bank until September 1, 2015. The amendment is necessary to allow the Agency to issue state revolving fund (SRF) bonds at the end of July, under the RICWFA name; otherwise, the paperwork would have to be re-written and the issuance would be delayed.

ARTICLE 15: RELATING TO GOVERNMENT REORGANIZATION (LC002188/3)

Includes additional positions to unclassified service and amends reorganizational items under the Department of Transportation, including:

- Adds to the unclassified service the Administrator/Division of Planning position in the Department of Environmental Management.
- Adds to the unclassified service the positions of Commerce Secretary, the Deputy Secretary, Chief of Staff, Communications Director, Legislative Director, and Policy Director within the Executive Office of Commerce.
- Repeals the requirement that the deputy director of the Department of Transportation be a highway engineer.
- Adds the “Office of Audit” as a division within the Department of Transportation.
- Transfers the RI Film and Television Office to the Rhode Island Council on the Arts. Currently, the Office is in the Department of Administration and was scheduled to move to the Executive Office of Commerce. This action shifts \$325,291 in general revenue and 2.6 FTE positions to the Rhode Island Council on the Arts.

ARTICLE 16: RELATING TO BAYS, RIVERS AND WATERSHEDS (LC002189/2)

- Makes technical amendments to correct a typographical error.

ARTICLE 18: HEALTHSOURCE RI (LC 002191/3)

- **Abortion Coverage.** Employers choosing a plan under a religious exemption must offer employees full choice among all plans but are not responsible for any additional cost associated with choice of other plans. Religiously-exempt employers are also required to provide written notice to employees that the plan excludes coverage for abortion services.

ARTICLE 19: RELATING TO COMMERCE CORPORATION AND ECONOMIC DEVELOPMENT (LC002192/9)

- Section 3: Provides technical changes amending incorrect RIGL references in the HFC bill.
- Section 5: Provides technical amendments to 5 of 19 definitions to clarify the intent of the tax stabilization legislation.
- Eliminates the planned transfer of the RI Film and Television Office from the Department of Administration to the Executive Office of Commerce. This action reduces the Executive Office of Commerce general revenue appropriation by \$325,291 and results in a reduction of 2.6 FTE positions.
- Shifts the language regarding the Innovate Rhode Island Small Business Program from section 14 to section 2 in the Article.
- Adds language under section 9 (12), further defining Rhode Island-based employer participating in the Stay Invested in RI Wavemaker Fellowship. The addition includes an “employer registered to conduct business in this State that reported a Rhode Island tax liability in the previous tax year.”
- Deletes language under proposed RIGL 42-64.20-5 (d) eliminating the requirement that the Commerce Corporation limiting the award notices in any calendar year to 25.0 percent of the program fund.

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- Technical correction to section 14, Rhode Island Economic Development Tax Incentives Evaluation Act of 2013, to include the tax credit incentives created under Article 19. This item was previously omitted.
- Adds a new section creating the High School, College, and Employer Partnerships. The Act will authorize the Commerce Corporation to offer grants to support partnerships among high schools, the Community College of Rhode Island, other institutions of higher education, and employers, to provide courses for high school diplomas, associate degrees, internships, and mentorships to increase likelihood of employment after graduation.

Analyst's Note: Only the Community College of Rhode Island is specifically mentioned. There are no other geographical limits set regarding where high schools, other institutions of higher education, or employers are based.

ARTICLE 20: RELATING TO PROFESSIONAL LICENSING (LC002193/3)

- Technical amendments to correct typographical errors, strike out language that should be deleted, and underline new language in the article.

NEW ARTICLE (22): RELATING TO PUBLIC TRANSIT (LC002168/10)

- The Rhode Island Public Transit Authority (RIPTA) shall not require any person who meets the means test criteria as defined by the Rhode Island Department of Elderly Affairs and who is either sixty-five (65) years of age, or over, or who is disabled to pay no more than one-half (1/2) of any fare for bus riders at any time, provided; however, that under no circumstances shall fares or charges for special services routes be discounted. These riders currently do not pay any fare.
- Any person who is either sixty-five years of age, or over, who is disabled, who does not satisfy the means test criteria as defined by the Department of Elderly Affairs, shall only be required to pay one-half (1/2) fare or charge for bus rides during off-peak hours but shall not be eligible for a reduction during peak hours.
- “Peak hours,” “off-peak hours,” and “special service routes” will be determined annually by RIPTA. RIPTA, in conjunction with the Department of Human Services shall establish an advisory committee comprised of senior/persons with disabilities and constituent users of the Authority’s services to assist in implementation of this section.
- RIPTA estimates that this change will result in \$2.2 million to \$3.5 million in additional revenue.